

REVENUE ANALYSIS

ECONOMIC OVERVIEW

Chesterfield County relies on many different revenues in order to provide quality services to its citizens. Some, such as property taxes, are general in nature and can be used for a variety of services. Others, such as building permit and recreational fees, are program specific and must be used for the purposes for which they were collected. The county's sources of revenue are discussed in this analysis.

All revenues come from one of three different levels. They are either locally generated, state revenue, or federal revenue. The proportion of the county's revenues from each of these sources is shown in the graph below. Since the county's revenues come from all three levels of government, Chesterfield's financial position is affected by economic conditions at every level.

Regional Economy

Chesterfield County is part of the Richmond-Petersburg Metropolitan Statistical Area, which also includes the counties of Henrico, Hanover, New Kent, Goochland, Powhatan, Charles City, Prince George, and Dinwiddie, and the cities of Richmond, Colonial Heights, Petersburg, and Hopewell. This area as a whole supports a diversified industrial base that enjoyed economic prosperity through the

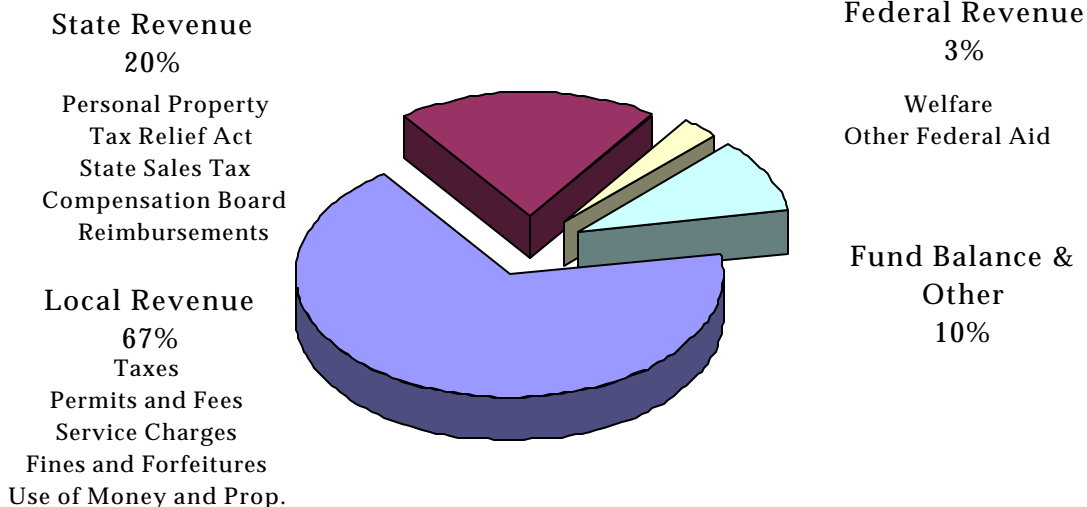
1990s. While the current recession has slowed this growth, diversification will shelter the region from severe impacts.

Employment growth in the Richmond-Petersburg area began to slow in early 2001. The most recent data available indicates that the region had an unemployment rate of 4.1% in January 2002 (unadjusted). In contrast, the January 2001 unadjusted unemployment rate for the region was 1.8%. Chesterfield County had an unemployment rate of 3.2% in January 2002.

Retail sales in the region have also experienced lackluster results. In June 2001, the level of sales dropped below where they had been a year before—the first time such a decline had happened since February 1992. Car sales were weak in the first three quarters of 2001; however, financing deals and other incentives had a positive impact on sales in the last quarter of the year and sales rebounded. Overall, the area experienced no growth in retail sales in calendar year 2001.

On a more positive note, the housing market in the area is still strong, fueled by low interest rates on mortgages and available land. This metro area had the greatest increase in residential building permits in the state for year ending December 2001. Chesterfield County had a record number of single family building permits in FY2001.

FY2003 Adopted General Fund
Revenue Sources



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Virginia Economy

When the nation moves into a recession, the state of Virginia typically manages slightly better than the nation as a whole due to a diversified economic base. Virginia is one of the top beneficiaries of federal defense spending, a characteristic that helps the state weather economic contractions, particularly in times of conflict.

Although better suited to withstand economic downturns, Virginia is not immune to the problems associated with recessions. The economic prosperity of the 1990s resulted in surplus revenues and inflated projections for the first few years of the new century. In FY2002, projected revenues in the state budget have fallen well short of budgeted expenditures, resulting in cuts for FY2002, FY2003, and FY2004. Cuts at the state level have reduced the amount of funding Chesterfield receives from the state for schools, constitutional officers, juvenile crime control, substance abuse reduction efforts, mental health, mental retardation and substance abuse services, social services, health, libraries, comprehensive services for youth, and juvenile detention. The specific impacts of the state's budget

position are discussed in the state revenue section of this narrative.

National Economy

The National Bureau of Economic Research's Business Cycle Dating Committee determined that the national economy entered a recession in March 2001, thus ending the longest period of economic expansion in the nation's history. The downturn in the high-technology sector, which began in late 2000, created a ripple effect through other industries that lead the economy into a recession.

While each recessionary period differs in its characteristics and duration, the average length of the last nine recessions has been 11 months, with wartime recessions typically having a shorter duration. Economic indicators released in early 2001 pointed to the possibility of recovery beginning in the summer months of 2002, however, not all economists agree on the timing of a potential upturn. The risk of a secondary slide after a period of growth is always present. With the uncertainties of the economy in the next three to fifteen months, and the years following, this budget conservatively forecasts revenue for FY2003 and beyond.

LOCALLY GENERATED REVENUES

Property Taxes

Property taxes are the county's largest source of locally generated revenues, comprising 45.9% of the FY2003 general fund budget. Real estate and personal property, including vehicles, trucks, boats, trailers, airplanes, and exotic animals, are taxed on the assessed value of the property, which approximates fair market value. The major sources of property taxes are real estate and personal property taxes. Other sources of property taxes include the machinery and tools tax, mobile home tax, and penalties and interest on property taxes.

Real Estate Taxes

Real estate taxes are the largest source of property tax revenue, and the largest single source of revenue to Chesterfield County. The FY2003 budget reflects a real estate tax rate of \$1.07 per \$100 of assessed value, which is a reduction from the \$1.08 per \$100 rate in recent years. The rate is set and taxes are

levied on a calendar year basis; the Board of Supervisors adopts the tax rate in April. That rate is then applied to the two subsequent billings. Payments of real property taxes are due on June 5th and December 5th. The June 5th payments are appropriated and used in the FY2002 or current year budget and the December 5th payments are appropriated and used in the FY2003 budget.

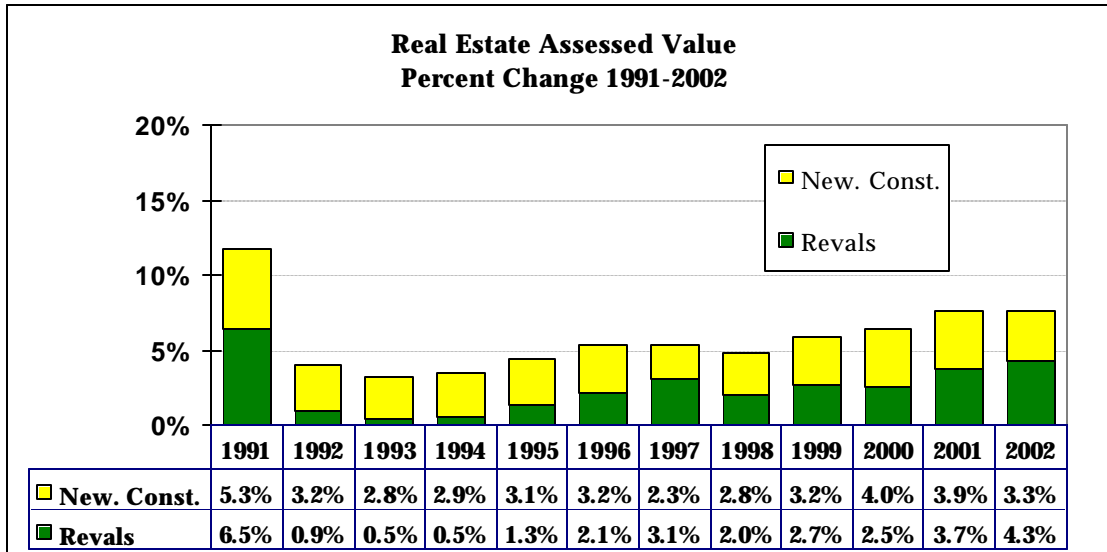
Real property tax revenue projections are based on collection rates and incremental growth in total assessed values. The county collects approximately 98% of the December levy and 97% of the June levy in a given fiscal year. The December levy is based on the value of the previous June levy, taking into account any new construction occurring during the year. Property is assessed at 100% of the market value at the end of the prior calendar year. The

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county's latest state-reported assessment to sales ratio is 92.16%.

The county expects to generate approximately \$188.6 million in real estate taxes during FY2003. This figure includes public service real estate and both current and delinquent taxes. The FY2003

budget reflects a 7.6% (or \$13.4 million) increase in the collection of real estate taxes over the FY2002 adopted budget. The FY2003 estimate considers existing land values, current and expected rates of inflation, and trends in new residential and commercial construction.

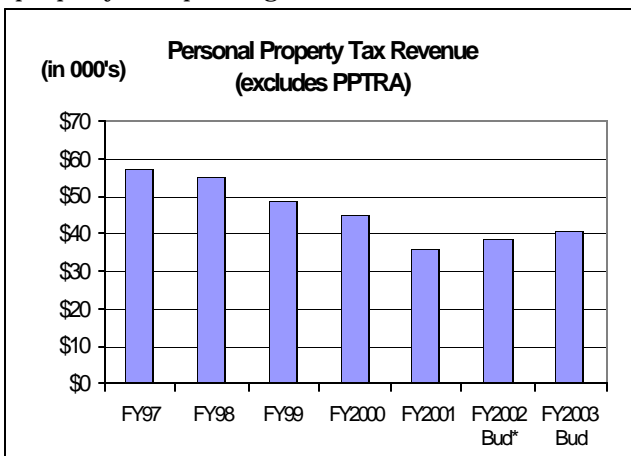


Personal Property Taxes

Personal property taxes are assessed on various classes of personal property. Calendar year 2001 rates varied from \$0.01 to \$3.60 per \$100 of assessed value. The Commissioner of the Revenue, who administers personal property taxes, keeps record of a property's assessed value. A table of the various personal property tax rates is located in Appendix F of this document. The largest class of personal property is passenger automobiles and trucks,

which are taxed at the general \$3.60 property tax rate. The tax rate is set for the calendar year in April. Personal property tax payments are due annually on June 5.

The FY2003 budget for personal property taxes is \$40,667,400, which does not include public service personal property taxes of \$160,000 or personal property tax relief reimbursements from the state. Personal property taxes comprise 7.9% of the total general fund FY2003 budget.



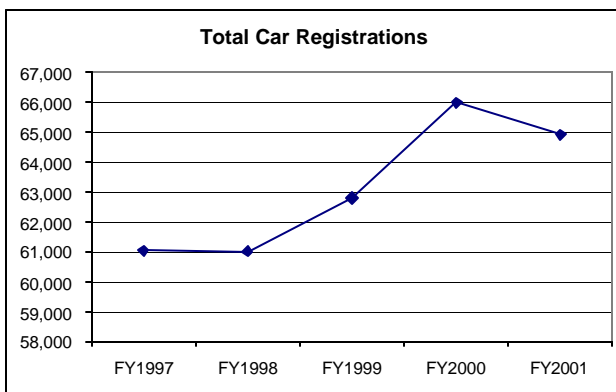
*Note: The adopted FY2002 budget assumed 100% reimbursement of personal property taxes by the state. The FY2002 budget has been restated to reflect a 70% reimbursement.

Calendar year 2003 will be the sixth year of reimbursement under the Personal Property Tax Relief Act of 1998 (PPTRA). Under PPTRA, the state systematically reduced the percentage of personal property tax bills residents pay. The state has reimbursed localities for the percentage not paid by residents that increased each year between 1998 and 2001. In FY2001, residents were billed for 30% of their personal property tax on qualifying vehicles, and this reimbursement level is expected to continue through FY2003 and into FY2004. This budget assumes the state will reimburse the county 70%,

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and that this reimbursement will grow at the same rate as that projected for personal property tax revenue. Personal Property Tax Relief Act revenue is discussed in the state revenue section of this analysis.

New and used car registrations within the county provide some indication as to growth in the personal property and PPTRA revenue combined. During FY2001, the number of car registrations declined by 1.6% from the same period last year, indicating slower growth in total personal property and PPTRA revenues in FY2002 and FY2003. Car registrations since that time have temporarily rebounded, due to financing deals and other incentives. For that reason, the FY2003 estimate of \$77,990,100 for personal property and personal property tax relief revenue combined assumes a modest increase of 4% from the FY2002 revised personal property and personal property tax relief revenue estimates.



Other Property Taxes

Other property taxes include the mobile home tax, machinery and tools tax, and penalties and interest on all property taxes. These revenues are estimated to be \$6,679,400, or 1.3% of the FY2003 budget.

Other Local Taxes

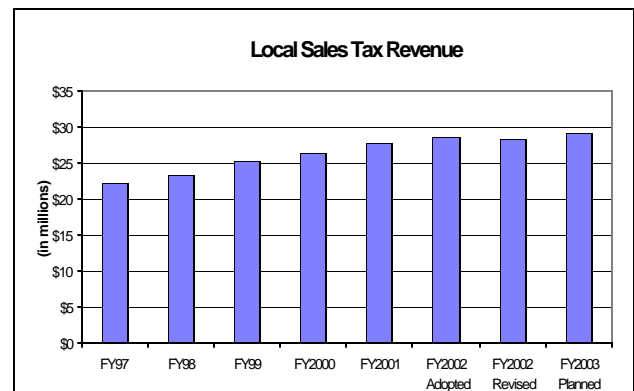
The other local taxes category includes all locally assessed taxes other than property taxes. Other local taxes represent 14.2% of the general fund budget. Major revenue sources within the other local tax category include local sales taxes, business professional and occupational license taxes (BPOL), consumer utility taxes, and motor vehicle licenses.

Local Sales Tax

The local option sales tax is a 1% tax on the sale of goods within the county. The state of Virginia collects a 3.5% tax on all sales for a total sales tax on all purchases of 4.5%. Both the local option and the state sales taxes are collected at the point of sale, and the local option sales tax is remitted back to the county by the Virginia Department of Taxation on a monthly basis.

Sales tax collections depend highly on consumer confidence in the economy, which impact the level of retail sales in the area. Retail sales in the Richmond-Petersburg area declined by 1% through the third quarter of 2001 when compared with the first three quarters of 2000. The lackluster holiday season has further dampened expectations for this revenue source in the coming months.

Because of these sluggish retail sales, the FY2002 estimate was revised downward. The FY2003 budget assumes a modest 3.2% increase in this revenue source over the revised FY2002 estimate. Local sales taxes are estimated to be \$29,250,500 in FY2003, or 5.7% of the FY2003 general fund budget.



Business Professional And Occupational License (BPOL) Tax

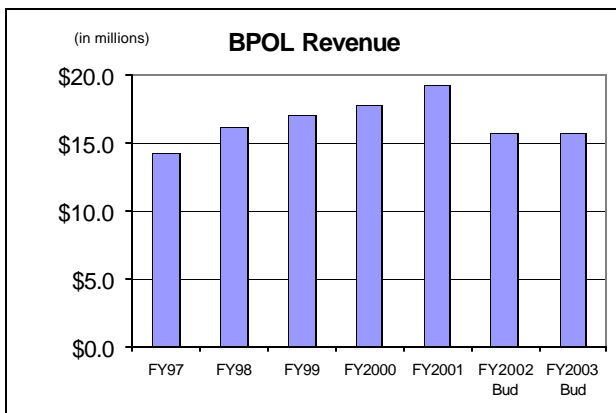
The Business Professional and Occupational License (BPOL) tax is a tax on the gross receipts of businesses which operate in Chesterfield County. The tax is due annually on March 1, and must be paid before the business can receive a business license.

The following fee structure applies to BPOL taxes and fees in 2002. Businesses with gross receipts less

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than \$10,000 do not pay a BPOL tax or fee. Businesses with gross receipts of \$10,000 up to \$100,000 pay a \$10 license fee, but no BPOL tax. Businesses with gross receipts of \$100,000 or more pay a tax on their gross receipts (less the \$200,000 exemption described in the next paragraph) based on their type of business, or \$10, whichever is greater.

The Chesterfield County Board of Supervisors has made a commitment to “capping” BPOL tax revenues at the amount collected in FY1999. Beginning in 2000, growth in this revenue source was used to create exemptions to the gross receipts taxed for businesses with gross receipts over \$100,000. In 2002, the exemption level was increased from \$100,000 to \$200,000 and tax rates for various categories of businesses paying the BPOL tax were reduced, thus capping the BPOL revenue at its FY99 level.



The amount of revenue the county receives is dependent on the gross receipts of businesses in the calendar year immediately prior. While the budgeted amount of revenue collected will not increase because of the cap, it does affect the types and levels of reductions that can be made to keep the amount of revenue the same as in prior years.

Each year, the growth in BPOL is estimated to determine the reductions necessary to maintain the revenue at the appropriate level. In FY2000 and FY2001, the revenue exceeded the budgeted cap due to the unexpectedly large growth in gross receipts reported by county businesses for calendar years 1999 and 2000. BPOL revenue is budgeted at \$15,656,000 for FY2003. This is a reduction from the prior years due to the reclassification of BPOL

revenues from electric and gas utilities as consumer utility taxes (explained below).

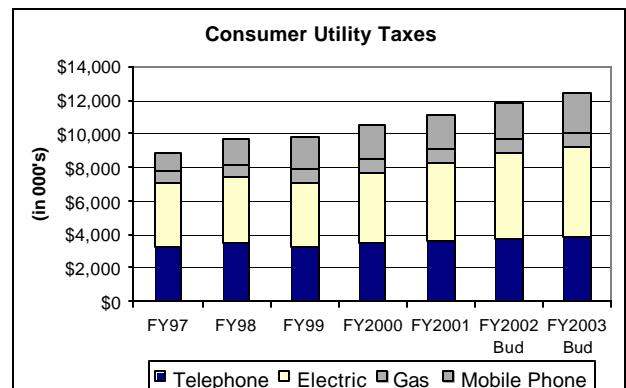
Consumer Utility Taxes

Consumer utility taxes are collected on four types of utility services to Chesterfield residents and businesses: electric, gas, telephone, and mobile phone. The rates on electric, gas and telephone differ for residential consumers and commercial/industrial consumers. Residential rates for these three utilities are capped at \$2.00 per month. Rates for mobile phone utility taxes are capped at \$3.00 per month.

Recent legislation has changed the way Virginia localities bill the consumer utility tax on electric and gas consumers. Before these changes, electric and gas utility taxes were billed as a percentage of the consumer's monthly bill, similar to the way telephone and mobile phone utility taxes are currently assessed. The deregulation of the electric and gas industries has led to taxes based on the number of units of electricity and gas consumed. The new rates were designed to be “revenue neutral”, neither collecting more nor less revenue for the county.

The legislation also specified, however, that these utilities would no longer pay a gross receipts (BPOL) tax, and that the revenue otherwise collected on gross receipts would become a consumption tax with rates set by the state. A portion of this state consumption tax is remitted to localities as a replacement for the BPOL tax.

Consumer utility taxes typically exhibit steady growth on a year to year basis. Audit activity, unseasonable temperatures (electric & gas), and rate changes impact the revenue from these revenue sources, but these factors are difficult to predict. The



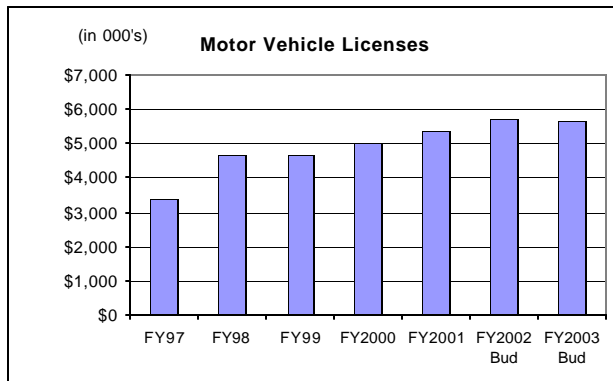
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FY2003 budget estimates \$12,483,600 in revenue from consumer utility taxes during the fiscal year. This is a 5.5% increase over the FY2002 budget.

Motor Vehicle Licenses

Every Chesterfield County resident must register their vehicles, boats, motorcycles, and trailers for taxation and purchase a motor vehicle license for display on the item for proof of registration. While the fee for the license varies according to the type of item being registered, licenses for most passenger vehicles are \$20. This revenue source has steadily increased over the past 5 years, with the exception of FY97 when an adjustment in the license expiration date decreased the revenue coming in to the county. Movement of the motor vehicle license enforcement date from July 31 to June 25 in FY2002 resulted in a one-time increase in this revenue during FY2002.

The amount of revenue from motor vehicle licenses somewhat follows the trends in car registrations. As the number of vehicle registrations increase, the revenue generally increases. Motor vehicle license revenue is estimated to be \$5,666,900 in FY2003.



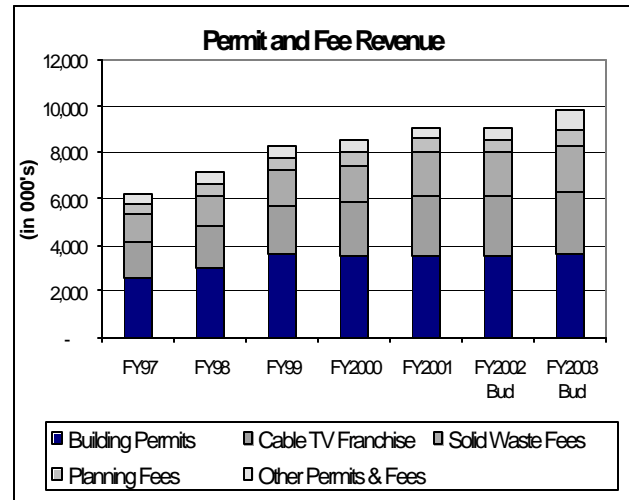
Other Local Taxes

Other taxes in the other local taxes category include recordation taxes, E911 phone taxes, transient occupancy (hotel) taxes, and short term rental taxes. The remaining taxes in this category are budgeted at \$10,007,600 for FY2003.

Other Local Revenue

Chesterfield receives other local, non-tax revenue from a variety of sources. The main types of other local revenues are permits and fees, fines and forfeitures, use of money and property, charges for

services, and recovered costs and miscellaneous. All together, these sources of other local revenue are budgeted at \$40,185,300, and comprise 7.8% of the FY2003 general fund budget.



Permits and Fees

The county generates local revenue from charges for building permits, planning permits, and several other miscellaneous licenses and fees, such as cable TV franchise fees and dog licenses. A large portion of this category is building permit fees, which support the functions of the Building Inspections Department. The FY2003 budget for building permits is \$3,646,000, which includes all types of residential and commercial permits.

The Planning Department also charges a fee for the costs of reviewing development plans such as rezoning requests, site plans, subdivisions, variances, and conditional uses. In the past, these fees have not covered the actual costs of conducting reviews. A fee increase for these permits is included in the FY2003 budget, and discussed at the end of this narrative. With the fee increase, the FY2003 budget for planning fees is \$696,200.

Solid waste fees cover a variety of services provided by the Solid Waste division of General Services. The majority of the fees are collected at the county's transfer station for the dumping of solid waste. These fees, budgeted at \$1,975,000 in FY2003, also cover residential garbage collection and bulky waste disposal.

Other fees include the cable TV franchise fee, a fee paid by the cable service provider equal to 5% of

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gross subscriber revenues. Cable TV franchise fees are expected to generate \$2,662,400 in FY2003. A March 2002 proposed FCC ruling that cable modem services are not subject to local franchise fees has lowered the projected growth in this revenue. Cable modem services have been the fastest growing segment of cable TV franchise revenue, and the future growth in this revenue source will be impacted. Other small permit and fee revenues will generate \$861,400, which includes \$364,000 in new courtroom security and jail processing fees discussed in the fee changes section of this narrative. The total amount of permits and fees in the FY2003 budget is \$9,841,000, or 2% of general fund revenues.

Fines and Forfeitures and Use of Money and Property

These two revenue categories are expected to generate \$4,743,500 in FY2003. Of the \$952,500 budgeted in fines and forfeitures, \$923,000 is from court fines. The revenue from use of money and property includes interest earned on invested general fund balances and rent of county facilities. This revenue is estimated at \$3,791,000 for FY2003 and also includes the sale of plans and publications.

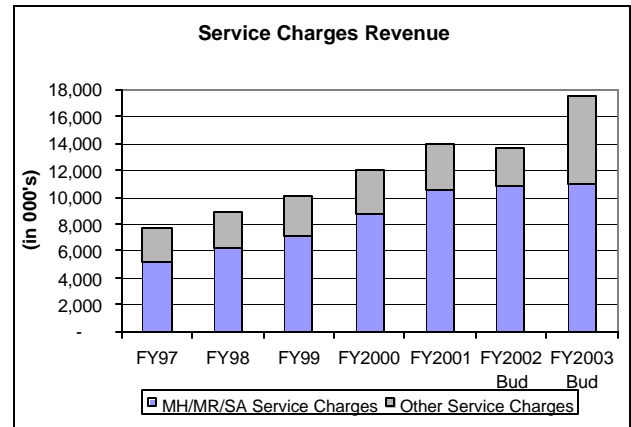
Service Charges

Due to changes in accounting policies mandated by the Governmental Accounting Standards Board (GASB), several individual revenue sources have been reclassified among the charges for services and recovered costs & miscellaneous categories. These adjustments between categories resulted in an increase of \$1,657,000 in revenue categorized as service charges and a decrease of that same amount in recovered costs and miscellaneous.

The county collects revenue in the form of charges for services provided to citizens. Service charge revenue is estimated to be \$17,508,300 in FY2003, which represents 3.4% of the general fund budget. The greatest proportion of service charge revenue is in the Mental Health/ Mental Retardation/ Substance Abuse (MH/MR/SA) Department. Most of MH/MR/SA service charges are Medicaid charges paid by the state for state mental health clients. In the FY2003 budget, MH/MR/SA service charges total \$11,027,100, or 63% of the total service charge revenue to the county. In FY99 through FY2001, MH/MR/SA began taking more state clients due to decentralization of state services. This

resulted in the almost 50% increase in revenues between FY1999 and FY2001.

Other revenues in this category include parks and recreation fees, library fines, off-duty police officer charges, and the EMS transport charges to begin in FY2003.



A new fee for Emergency Medical Services will be implemented in July 2002. The Fire and EMS Department will be charging \$350 for basic life support, or \$385 for advanced life support, plus \$7.50 per mile in order to recover some of the transport costs involved in providing these services. Citizens will have the option of paying an annual \$59 subscription fee that would address any co-payments or deductibles not covered by insurance as well as satisfy charges for the uninsured. The FY2003 budget includes approximately \$1.1 million in new revenue related to this fee, which is being used to fund a number of EMS system enhancements for both career and volunteer providers (see the Fire and EMS narrative in the Public Safety section of this document). The budgeted amount is net of (outsourced) billing charges, and is based on anticipated collection rates.

Recovered Costs & Miscellaneous Revenues

Miscellaneous revenues in the FY2003 budget include internal service revenues and reimbursements from enterprise funds, other localities, and separate authorities for services provided by general fund departments. These revenues also include contributions and donations for programs such as the James River Regional Clean-Up. These miscellaneous revenues are budgeted at \$8,092,500 in FY2003, or less than 2% of general fund revenues.

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	2000	2001	2002	2003
	Actual	Actual	Adopted*	Adopted
Real Estate Tax	\$158,270,023	\$168,101,485	\$175,188,100	\$188,559,800
% of General Fund	34%	34%	36%	37%
Personal Property Tax	44,905,094	36,420,837	38,850,800	40,827,400
% of General Fund	10%	7%	8%	8%
Other Property Tax	7,226,242	7,423,318	6,037,600	6,679,400
% of General Fund	2%	1%	1%	1%
Other Local Tax	69,749,676	73,098,977	71,781,400	73,065,200
% of General Fund	15%	15%	15%	14%
Permits and Fees	8,517,573	9,096,164	9,086,600	9,841,000
% of General Fund	2%	2%	2%	2%
Fines & Forfeit./ Use of Money & Property	5,655,250	6,741,999	4,085,300	4,743,500
% of General Fund	1%	1%	1%	1%
Service Charges	11,981,541	13,898,518	13,599,300	17,508,300
% of General Fund	3%	3%	3%	3%
Miscellaneous	8,905,456	8,603,061	8,688,400	8,092,500
% of General Fund	2%	2%	2%	2%
TOTAL LOCALLY GENERATED REVENUES	\$315,210,855	\$323,384,359	\$327,317,500	\$349,317,100
	68%	65%	67%	68%

* Note: The adopted FY2002 budget assumed 100% reimbursement of personal property taxes by the state. The FY2002 budget has been restated to reflect a 70% reimbursement.

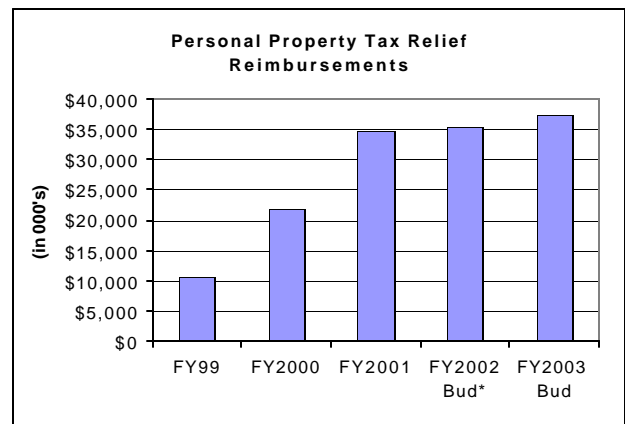
STATE REVENUES

Chesterfield receives funding from the Commonwealth of Virginia in several areas. The largest state revenue in the general fund is the reimbursement for the Personal Property Tax Relief Act, mentioned in the personal property section of this document. State sales taxes distributed for the school system and Aid to Localities with Police Departments (House Bill 599) are also major sources of state revenue.

Personal Property Tax Relief Reimbursement

In 1998, the state of Virginia began its Personal Property Tax Relief Program, under which Virginia residents would pay a decreasing percentage of the personal property tax on their qualifying personal vehicles until the entire tax was relieved in 2002. To qualify, vehicles must not be owned by a business and, if leased, the lessee must pay the property taxes. The program relieves the tax on up to \$20,000

of the vehicle's assessed value; owners with vehicles assessed over \$20,000 must pay the tax on the remainder.



*Note: The adopted FY2002 budget assumed 100% reimbursement of personal property taxes by the state. The FY2002 budget has been restated to reflect a 70% reimbursement.

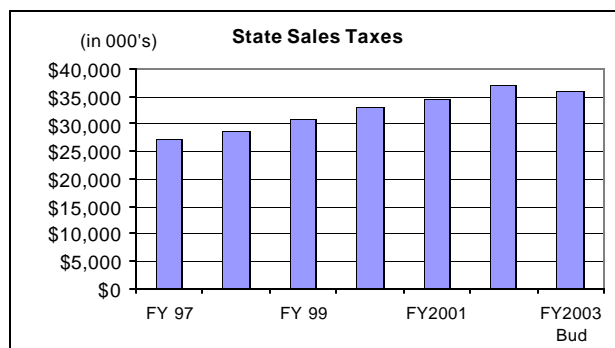
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In 1998, the first year of the program, the state sent refunds for 12.5% of the tax directly to taxpayers, therefore Chesterfield did not receive any reimbursement. In 1999, the state reimbursed the county for 27.5% of residents' property taxes. The reimbursement percentages for 2000 and 2001 were 47.5% and 70%, respectively.

The amount of revenue paid to the county has increased as the percentage of taxes reimbursed by the state has increased. The FY2003 budget includes \$37,322,700 in anticipated reimbursement under the PPTRA program. While the original intent of the Personal Property Tax Relief Act was to begin 100% reimbursements in 2002, fiscal constraints at the state level have prevented the full implementation of the reimbursement and frozen the reimbursement percentage at 70%. The General Assembly passed a FY2003 and FY2004 biennial budget determining the reimbursement percentage for 2002, 2003, and 2004 to be 70%. This budget assumes the reimbursement percentage will be 100% for 2005-2006. The FY2002 adopted budget for personal property taxes and personal property tax relief act revenue, which assumed 100% reimbursements, have been restated throughout this document to reflect a 70% reimbursement.

State Sales Tax

Not to be confused with the local option sales tax, Chesterfield receives a portion of the state's 3.5% sales tax earmarked for the public school system. An amount equivalent to 1% of sales statewide is distributed among Virginia localities based upon the number of school aged children residing within the locality. As it is earmarked specifically for education, this revenue "flows through" the county's general fund and goes directly to the school system.

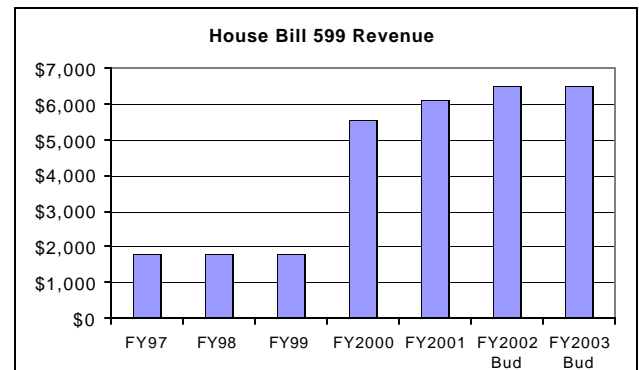


Two factors influence this revenue source: the level of retail sales statewide and the proportion of the state's school children residing in Chesterfield County. The FY2003 budget estimates \$36,156,700 in sales tax revenue, which represents 7% of the general fund budget.

Aid to Localities with Police Departments (House Bill 599)

Commonly referred to as House Bill 599 (HB 599) funding, after the legislation that created it, aid to localities with police departments is a non-categorical revenue the county receives from the state. While state code provides a formula for the amount of HB599 money localities should receive, the state's budget bill did not significantly change the appropriation to localities for HB599 from FY92 – FY99. In FY2000, the formula was reinstated, which resulted in a significant increase in the amount Chesterfield County received from the state. The amount of revenue to be received in any given year is dependent on the state's budget, and therefore difficult to forecast.

Due to constraints at the state level, the amount of HB599 funding was reduced by 8.7% during FY2002. This created a budget shortfall in this line item of \$565,700. The FY2003 budget estimates HB599 revenues at \$6,482,300, a slight decrease from the FY2002 adopted budget. The decrease is the result of lower revenue forecasts for the state budget.



Compensation Board Shared Expenses

The State of Virginia partially supports the expenses of local constitutional officers across the state. Chesterfield has five elected constitutional officers: Sheriff, Commonwealth Attorney, Clerk of Circuit Court, Treasurer, and Commissioner of the Revenue.

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The state Compensation Board reimburses localities for part of the costs of salaries, benefits, office expenses and equipment, resulting in total reimbursements of \$8.76 million in FY2001. The FY2003 state budget reduced the appropriation available for Compensation Board reimbursements, resulting in cuts of \$718,300, or a 8.0% from FY2002

adopted. This reduction is the result of across the board cuts and a reduction in the reimbursement rate for retirement benefits. The FY2003 budget now includes Compensation Board reimbursements of \$8,302,600.

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The single largest source of revenue to Chesterfield County from the federal government is welfare pass through funding. This money is provided to the county for payments to individuals in the Temporary Assistance to Needy Families (TANF) Program and recipients of food stamps.

The FY2003 budget includes \$14,178,600 in appropriations for federal revenue, most of which is welfare related.

FEE CHANGES

The FY2003 budget includes an increase in the following departmental revenue to cover the cost of service enhancements.

Utilities

FY2003 includes an increase in the water connection fee for initial connections to the county's water system. This increase of \$250 will set the connection fee at \$3,342. Prior to 2001, the water connection fee had not changed since 1991. FY2003 is the third year of a four-year phase in of connection fee increases. A final increase of \$250 is anticipated in FY2004; however, an evaluation will be made prior to making a recommendation to the Board of Supervisors.

Planning

As mentioned in the permit and fee section of this analysis, the Planning Department charges fees for the review of development related requests such as rezoning, site plans, subdivisions, conditional uses, and variances. The revenues from these fees covered only 44% of the department's cost in providing these services in FY2001. Costs for these services have increased since the last planning fee adjustment due to the increased level of public participation in these processes and the use of special conditions and proffers, which increase the complexity of the application.

This budget assumes an increase in planning fees to offset the increase in development review costs. At the time this budget was adopted, the Board of Supervisors was soliciting public input to determine the specific increases that would be implemented to generate this additional revenue.

Solid Waste

This FY2003 budget also includes an increase in the leaf vacuuming fee from \$48 to \$100 per collection. In FY2002, only 3,500 households utilize the leaf vacuuming program. The average cost per collection is \$177. This fee increase would enable the county to provide curbside recycling services to single family homes that are currently excluded from the program. An estimated 12,111 dwellings are without curbside recycling service, while 71,780 are currently utilizing this service. The fee increase would generate approximately \$171,000. This additional revenue, combined with expenditure savings in solid waste, will be enough to expand the curbside recycling program to all single family homes. Chesterfield County would be the first locality in central Virginia to offer curbside recycling to all residents if this program expansion is implemented.

Sheriff

The 2002 Virginia General Assembly passed two pieces of legislation which authorized localities to

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implement two new public safety fees. Senate Bill 406 allows localities to charge inmates a jail processing fee to defray the costs of processing convicted persons into local jails. This fee, not to exceed \$25, is anticipated to generate \$144,000 as part of the Sheriff's budget. Senate Bill 693 allows localities to charge convicted defendants in criminal

and traffic cases a courtroom security fee of up to \$5 to defray the costs of Sheriff's deputies for courtroom security. This budget includes \$220,000 in estimated revenues from the courtroom security fee. Both of these new fees would have to be approved by the Board of Supervisors prior to implementation.

SPECIAL REVENUE FUNDS

In addition to the general fund, the county has four special revenue funds used to account for the proceeds of specific revenue sources (other than Capital projects) that are legally restricted to expenditures for specified purposes.

Special revenue funds include Comprehensive Services, Schools, Grants, and Capital Projects.

Comprehensive Services

This fund reflects revenues and expenditures related to the operations of the county's Comprehensive Services Act (CSA) Program. The revenue sources are transfers from Schools, Social Services, General Fund, reimbursements from Colonial Heights and State Aid. In FY2003, the CSA program is anticipating \$5,862,400 in revenue from these sources, an increase of 40% over the FY2002 adopted budget. This increase is due to the tremendous growth in the costs of services to CSA children. For more information, see the Comprehensive Services description in the Human Services section of this document.

School Fund

This fund reflects revenues and expenditures related to the operations of the county's public school system. The primary sources of revenue, exclusive of transfers from the General Fund, are basic school aid payments from the Commonwealth and educational program grants. The FY2003 school fund revenue is estimated to be \$410,543,300. For more information about schools, see the school narrative in the schools sections of this document.

Grant Fund

This fund reflects revenues and expenditures related principally to the federal government's Community Development Block Grant (CDBG), the Virginia Juvenile Community Crime Control Act (VJCCCA)

and other federal and state grant programs. Each of these grants is described in detail in the related section of this document. The VJCCCA narrative is located in the Human Services section of this document and the CDBG is located in the Community Development section.

Capital Projects Fund

Capital Project Funds are used to account for financial resources used for the acquisition, design, development, and/or construction of major capital facilities (other than those financed by Proprietary Funds). The FY2003 county Capital Improvement Plan budget is \$12,210,500. For more information on Capital Improvement Projects, see the Chesterfield County 2003-2008 Capital Improvement Program document.

Proprietary Fund Types

Proprietary Funds are used to account for the county's on-going organizations and activities that are similar to those often found in the private sector. The following are the county's proprietary fund types:

Enterprise Funds:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy,

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management control, accountability, or other purposes. The county does not budget depreciation expenses in enterprise funds although it is recorded and reported in the annual financial report. Enterprise funds include the Airport and Utilities.

Airport

This fund accounts for the operations of the County Airport. The daily service functions of the airport are handled by a fixed based operator (FBO). The FBO maintains a contract with the county for rental of building and hangar space, which in turn provides a significant portion of the Airport's revenues. The county retains responsibility for all federal and state funded improvement projects. The Airport's major expenditures consist of salaries and wages, maintenance, debt and depreciation. Debt service on Certificate of Participation (COPS) issued to construct facilities is accounted for through the Airport Fund.

Water Fund

This fund accounts for the operation, maintenance and construction of the county's water system. Charges for service represent the major source of operating revenue.

Wastewater Fund

This fund accounts for the operation, maintenance and construction of the county's sewer system. The fund's major source of operating revenue is charges for service.

Internal Service Funds:

Internal Service funds are used to account for the costs of operations for services provided to other county departments. Revenue is derived from charges on a cost reimbursement basis.

Construction Management

This fund reflects the operation of the county's construction management function. The fund's only source of revenue is charges for services provided in coordinating and supervising all county building construction projects.

Vehicle and Communications Maintenance Fund

This fund reflects operations of the county's garage, and radio shop that maintains the vehicles and communication equipment. Revenues are derived from inter-fund charges on a cost-reimbursement basis.

Risk Management Fund

This fund reflects the operations of the county's Risk Management function. Charges for services of providing risk financing and recoveries are the major source of revenue for this fund. Major expenditures consist of re-insurance costs and claims.

Sources:

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Virginia Department of Taxation, Taxable Sales Reports, ftp://ftp.virginia.edu/pub/cps/tax_sales/tax_sales.html

Virginia Employment Commission. "Local Area Unemployment Statistics" <http://www.vec.state.va.us>.